

ROBIN SCHAFFER

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1 Past Statute and Pat Com write-off?  
 2 A. Yes.  
 3 Q. And did you similarly then post the associated  
 4 contractual allowances to the bad debt  
 5 allowance account?  
 6 A. Yes.  
 7 Q. And those then partially offset the initial  
 8 Past Statute and bad debt write-off, right?  
 9 A. Yes.  
 10 MR. RYAN: Let me mark, please, as  
 11 Exhibit 138 the document with Bates Nos.  
 12 DBR-RS-0063 through 71.  
 13 ----  
 14 (Deposition Exhibit 138 marked for  
 15 identification.)  
 16 ----  
 17 BY MR. RYAN:  
 18 Q. Do you recognize the schedule on the first page  
 19 of Exhibit 138, Ms. Schaffer?  
 20 A. Yes.  
 21 Q. What is it?  
 22 A. This is a summary of the Past Statute and Pat  
 23 Com write-offs that occurred in fiscal 1997,  
 24 and it also shows the contractual reserve that  
 25 we would have had on those write-offs, and the

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1 that?  
 2 A. It would be for the first page and the actual  
 3 documents behind it showing the write-offs by  
 4 payor.  
 5 Q. All right. Are all pages of Exhibit 138 after  
 6 the first one -- well, that's not quite right.  
 7 Strike that.  
 8 The third page of Exhibit 138, Bates  
 9 65, looks like just an earlier iteration of the  
 10 schedule that was completed in June, and that  
 11 is the first page, right?  
 12 A. Yes. That would have been as of March when  
 13 Coopers would have been in here for their  
 14 prelim audit. So they would have received it  
 15 at that time as well.  
 16 Q. Okay. Apart from Bates 63 and 65, are the  
 17 other pages in Exhibit 138 documents that were  
 18 created by the patient financial services  
 19 group?  
 20 A. Yes.  
 21 Q. And they then provided those documents to you  
 22 in your capacity as the person in the general  
 23 accounting department responsible for accounts  
 24 receivable issues?  
 25 A. Yes.

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1 final column is the net unreserved balance of  
 2 the write-off.  
 3 Q. Okay. So this middle section is what we've  
 4 talked about already, the associated  
 5 contractual allowances that you identified?  
 6 A. Yes.  
 7 Q. And those totalled \$19 and a half million or  
 8 so?  
 9 A. Correct.  
 10 Q. So that the net effect of the Past Statute and  
 11 Pat Com write-offs, in your understanding, was  
 12 this \$60,456,059 figure in the bottom right?  
 13 A. Yes.  
 14 Q. Now, there's some handwriting down at the  
 15 bottom. Is that your handwriting?  
 16 A. Yes.  
 17 Q. Could you read that for us, please?  
 18 A. Given to Kristen during FY '97 audit.  
 19 Q. Did you make that note on the document in 1998  
 20 when you gave the document to the SEC?  
 21 A. Yes.  
 22 Q. And Kristen is Kristen Heinlein?  
 23 A. Yes.  
 24 Q. Did you intend that note just to refer to this  
 25 first page of Exhibit 138 or to more than just

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1 Q. Was Mr. Gedman, in your understanding, in  
 2 charge of the Past Statute and Pat Com  
 3 write-off project? And I'm asking only because  
 4 lots of these documents seem to come from him.  
 5 A. I think Greg Snow was probably in charge, but  
 6 Bill Gedman was responsible for reporting what  
 7 had happened.  
 8 Q. Do you know who actually went through and  
 9 identified the accounts that needed to be  
 10 written off as part of this Past Statute and  
 11 Pat Com write-off project?  
 12 A. No. I know that it was Greg Snow's area, but I  
 13 don't know who in his area did that.  
 14 MR. RYAN: Let me mark, please, as  
 15 Exhibit 139 the document at Bates DBR-RS-0233  
 16 through 0243.  
 17 ----  
 18 (Deposition Exhibit 139 marked for  
 19 identification.)  
 20 ----  
 21 BY MR. RYAN:  
 22 Q. Do you recognize Exhibit 139, Ms. Schaffer?  
 23 A. Yes.  
 24 Q. What is it?  
 25 A. This is a memo from Dan Cancelmi to Steve

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MR. COGAN: Objection.

A. Yes.

Q. And this includes the \$21 million transfer from Graduate to DVOG, right?

A. Correct.

Q. So since you don't recall whether you had Exhibit 43 back in 1997, I take it you never provided Exhibit 43 to Coopers & Lybrand?

A. To my knowledge, no, but I can't recall one way or the other.

Q. And you don't recall, do you, ever providing Exhibit 164, the other July 3, 1997 memo, to Coopers & Lybrand, do you?

A. I don't recall doing that, no.

MR. RYAN: Why don't we break for the day.

THE WITNESS: Okay.

THE VIDEOGRAPHER: We're now going off the record. The time on the screen is 5:11.

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(The proceedings were temporarily adjourned at 5:11 p.m.)

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COMMONWEALTH OF PENNSYLVANIA ) ERRATA  
COUNTY OF ALLEGHENY ) SHEET

I, ROBIN R. SCHAFFER, have read the foregoing

pages of my deposition given on Thursday, June 6, 2002, and wish to make the following, if any, amendments, additions, deletions or corrections:

Page/Line Should Read Reason for Change

In all other respects, the transcript is true and correct.

ROBIN R. SCHAFFER

Subscribed and sworn to before me this

day of , 2002.

Notary Public

AKF Reference No. JB70547

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COMMONWEALTH OF PENNSYLVANIA ) CERTIFICATE  
COUNTY OF ALLEGHENY ) SS:

I, JoAnn M. Brown, RMR, a Court Reporter and Notary Public in and for the Commonwealth of Pennsylvania, do hereby certify that the foregoing deposition of ROBIN R. SCHAFFER was taken at the time and place stated herein; and that the said deposition was recorded stenographically by me and then reduced to printing under my direction, and constitutes a true record of the testimony given by said witness.

I further certify that I am not a relative or employee of any of the parties, or a relative or employee of either counsel, and that I am in no way interested directly or indirectly in this action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office this 10th day of June, 2002.

Notary Public

ROBIN R. SCHAFFER

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IN THE UNITED STATES DISTRICT COURT FOR THE  
WESTERN DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF )  
UNSECURED CREDITORS OF )  
ALLEGHENY HEALTH, EDUCATION & )  
RESEARCH FOUNDATION, )

Plaintiff, )

-vs- )

PRICewaterhouseCOOPERS, L.L.P. )

Defendant. )

Civil Action  
No. 00-684

VIDEO TAPE  
DEPOSITION OF: ROBIN R. SCHAFFER  
VOLUME III

DATE: July 23, 2002  
Tuesday, 9:12 a.m.

LOCATION: MANION McDONOUGH & LUCAS  
14th Floor, USX Tower  
Pittsburgh, PA 15219  
412-232-0200

TAKEN BY: Defendant

REPORTED BY: Claire Gross, CRR, RDR  
Notary Public  
AKF Reference No. Cg71172

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1 on what's being posted in the billing system.  
 2 But I don't really recall what we used that  
 3 for specifically.  
 4 Q. All right. So looking at account 1205010,  
 5 KHPE was Keystone Health Plan East?  
 6 A. Correct.  
 7 Q. And account 1205015 USHC was U.S. Healthcare?  
 8 A. Correct.  
 9 Q. And 1205016 DC 33 was District Counsel  
 10 No. 33?  
 11 A. Correct.  
 12 Q. That was labor union?  
 13 A. Yes.  
 14 Q. 1205020, that relates to Health Partners;  
 15 right?  
 16 A. Correct.  
 17 Q. So basically all these clearing accounts from  
 18 1205000 and up really should be zero at  
 19 year-end except for the kind of timing  
 20 difference that you explained; right?  
 21 A. Correct.  
 22 Q. So these are cash amounts that eventually are  
 23 going to be posted to some other account?  
 24 A. They will eventually -- the cash that we  
 25 receive will be posted against the patient  
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1 adjusted against the current budget of  
 2 receivables where the bad debt reserve is  
 3 pretty light normally.  
 4 Q. Now, if you could turn, please, to the second  
 5 page of Exhibit 288, and look down at the  
 6 accounts for Hahnemann University Hospital.  
 7 Do you see account 1205013, which is  
 8 described as HIP NJ cap clearing?  
 9 A. Yes.  
 10 Q. Does that relate to the HIP New Jersey health  
 11 plan?  
 12 A. Yes.  
 13 Q. There is an amount there of a little bit over  
 14 \$1,113,000; right?  
 15 A. Yes.  
 16 Q. Is that the large capitation clearing account  
 17 amount at Hahnemann that you can recall  
 18 discussing with Kristen Heinlein you  
 19 mentioned the first day of your deposition?  
 20 A. Yes.  
 21 Q. Because I think the first day I think you  
 22 said you thought that was the DC 33 clearing  
 23 account, and the schedule seemed to show it  
 24 was the HIP New Jersey clearing account?  
 25 A. Actually, I'm not sure what I said the first  
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1 A/R accounts 1201000, and the offset, you  
 2 normally debit the 1205 account and credit  
 3 the control A/R account to reduce the A/R  
 4 that's in the billing system. So it's a wash  
 5 between -- within the patient accounts  
 6 receivable.  
 7 Q. All right. And to the extent that the cash  
 8 clearing account hasn't been cleared out and  
 9 netted to zero, the accounts receivable are  
 10 somewhat overstated; is that right?  
 11 A. With cash clearing, that would be correct,  
 12 yes. When you get into the PIP it's a  
 13 different story, but cash clearing, yes.  
 14 Q. As a result because of how the bad debt  
 15 allowance methodology worked, as a result the  
 16 bad debt allowance required by formula would  
 17 be slightly overstated; right?  
 18 A. Yes.  
 19 Q. Did you ever attempt to do a calculation to  
 20 see how material that formula overstatement  
 21 for bad debt allowance was?  
 22 A. No. But normally since the patient receipts  
 23 are posted on a timely basis, the lag is  
 24 normally like a one or two-day lag. So most  
 25 likely what is sitting in clearing would be  
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1 day, but when Kristen was asking me about  
 2 this account, I knew it was the HIP New  
 3 Jersey account because of the situation that  
 4 was going on with it.  
 5 Q. All right. Do you recall what was going on  
 6 with the Hahnemann University Hospital HIP  
 7 New Jersey capitation clearing account at  
 8 June 30, '97?  
 9 A. Yes. The issue with this was even though the  
 10 hospital received 100 percent of the money  
 11 related to HIP New Jersey, not all of the  
 12 money was revenue for the hospital. A  
 13 portion of it belonged to profee or the  
 14 physician side.  
 15 Because the agreement was somewhat  
 16 hard to interpret and we were having trouble  
 17 getting our hands on it, we could not  
 18 determine at year-end how much of that was  
 19 our income on the hospital side because to  
 20 relieve that we would have debited this  
 21 account and credited income.  
 22 Because we didn't know what portion  
 23 was hospital, we were trying to be  
 24 conservative by believing the entire balance  
 25 in the capitation clearing account until we  
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10 (Pages 591 to 594)

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1 could determine what belonged on the hospital  
 2 and what belonged on the physician side.  
 3 Q. But all of the income from the HIP New Jersey  
 4 account belonged to AHERF; right?  
 5 A. Yes.  
 6 Q. It was only a question as to which part of  
 7 AHERF?  
 8 A. That's correct.  
 9 Q. And so that entire \$1,113,000 amount at June  
 10 30, '97, was income to AHERF; right?  
 11 A. From what I can remember, yes. I don't  
 12 believe any of it belonged outside of the  
 13 system.  
 14 Q. And so leaving it in the capitation clearing  
 15 account like this was very conservative;  
 16 right?  
 17 A. Yes, yes.  
 18 MR. JONES: Anthony, as we go to a  
 19 new exhibit, do you mind if we go to a short  
 20 break?  
 21 MR. RYAN: Not at all. Let's just go  
 22 off the record.  
 23 THE VIDEOGRAPHER: We are now going  
 24 off the record. The time on the screen is  
 25 1002.

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1 Q. And are the schedules on pages L and M  
 2 sometimes referred to as bad debt roll  
 3 forwards?  
 4 A. Yes.  
 5 Q. Now, do you see I think every one of these  
 6 pages has a computer file name in the bottom  
 7 left-hand corner?  
 8 A. Yes.  
 9 Q. And they all appear to be in a drive S. Do  
 10 you see that?  
 11 A. Yes.  
 12 Q. And then the directory is PGHA, CCTG and a  
 13 subdirectory is PAP A/R?  
 14 A. Yes.  
 15 Q. Does that stand for Pittsburgh accounting and  
 16 patient accounts receivable?  
 17 A. Yes.  
 18 Q. And is that a directory that you and your  
 19 staff used for schedules that you created?  
 20 A. Yes.  
 21 Q. And then the next subdirectory is June 1997  
 22 to reflect that all these schedules are as of  
 23 June 30, 1997; right?  
 24 A. Yes.  
 25 Q. So the schedule on page A shows all the

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1 ----  
 2 (There was a recess in the proceedings.)  
 3 ----  
 4 THE VIDEOGRAPHER: We are now back on  
 5 the record. The time on the screen is 10:16.  
 6 MR. RYAN: Let me mark, please, as  
 7 Exhibit 289 a set of schedules with Bates  
 8 numbers CL013544 A through M.  
 9 ----  
 10 (Deposition Exhibit 289 marked for  
 11 identification.)  
 12 ----  
 13 BY MR. RYAN:  
 14 Q. I realize some of these schedules may have  
 15 some notes on them that were added, but  
 16 basically do you recognize the schedules in  
 17 Exhibit 289, Ms. Schaffer?  
 18 A. Yes.  
 19 Q. What are they?  
 20 A. Pages -- I don't know how the pages work. A  
 21 through K are the in and outpatient bad debt  
 22 reserve calculations for Bucks County  
 23 Hospital, and L and M are the summary of the  
 24 bad debt allowance or reserve accounts for  
 25 Bucks County in and outpatient.

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1 inpatient accounts receivable at Bucks County  
 2 Hospital broken down by payor category and by  
 3 aging category; is that right?  
 4 A. Yes.  
 5 Q. And then the second page, Schedule B, shows  
 6 the associated bad debt reserve calculated  
 7 for the balances on schedule A; is that  
 8 right?  
 9 A. Yes.  
 10 Q. And Schedule C shows the outpatient accounts  
 11 receivable by payor category by aging  
 12 category carried at gross; right?  
 13 A. Yes.  
 14 Q. And then the next schedule on page D shows  
 15 the same outpatient accounts receivable but  
 16 reduced to net; right?  
 17 A. Yes.  
 18 Q. So that's net of any contractual allowances  
 19 that you and your staff calculated?  
 20 A. Correct.  
 21 Q. And that process of going from gross accounts  
 22 receivable to net accounts receivable for the  
 23 outpatient accounts is shown on the schedule  
 24 on Bates page E; right?  
 25 A. Yes.

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11 (Pages 595 to 598)

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1 Q. And then the schedule on Bates page F shows  
2 the bad debt reserve that's been calculated  
3 off the net outpatient accounts receivable  
4 balances; right?

5 A. Yes.

6 Q. And the schedule on Bates page G shows the  
7 loss percentages for the inpatient accounts  
8 by payor category and aging category; right?

9 A. Yes.

10 Q. And the schedule on Bates page H shows the  
11 loss percentages for the outpatient accounts;  
12 right?

13 A. Yes.

14 Q. And then the schedule on Bates page I shows  
15 an additional reduction to net for certain  
16 payor categories; is that right?

17 A. This is actually -- I is actually the  
18 contractual percentages that we used to come  
19 up with page -- if I can find it here -- page  
20 D. So it's just summarizing -- wait. I'm  
21 sorry. They might be inpatient.

22 No. They are outpatient. That's  
23 just summarizing the contractual allowance  
24 percentages we are using to get to net  
25 receivables before bad debt is calculated.

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1 review process.

2 Q. All right. So that these are notes that your  
3 staff drafted and that you edited and that  
4 were on the schedule when you provided it to  
5 Coopers & Lybrand?

6 A. Yes.

7 Q. Now, do you see note F refers to a \$3 million  
8 transfer from Graduate?

9 A. Yes.

10 Q. And that was recorded for March 1997; right?

11 A. Yes.

12 Q. And note G refers to a \$4 million transfer  
13 from Graduate?

14 A. Yes.

15 Q. And that was recorded for April 1997; right?

16 A. Yes.

17 Q. Those are the only amounts that are  
18 identified on this schedule as transfers from  
19 Graduate; right?

20 A. Yes.

21 Q. And those \$3 million and \$4 million amounts  
22 totalling \$7 million are the Bucks County  
23 portion of the \$50 million reserve transfer;  
24 right?

25 A. Yes.

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1 Q. Okay. And then the schedule on Bates page J  
2 shows the inpatient accounts receivable net  
3 of the bad debt reserve that is calculated  
4 earlier; right?

5 A. Correct.

6 Q. And the schedule on Bates page K shows the  
7 outpatient account receivable net of the bad  
8 debt reserve calculated earlier; right?

9 A. Yes.

10 Q. In all the schedules that we've just walked  
11 through are ones that you and your staff  
12 prepared that you then provided to Coopers &  
13 Lybrand for their audit?

14 A. Yes.

15 Q. Now, looking at the inpatient bad debt roll  
16 forward on Bates page L, do you see the notes  
17 down at the bottom, lower case A through I?

18 A. Yes.

19 Q. Those are notes that you wrote for this  
20 schedule, aren't they?

21 A. They are notes that after I reviewed the  
22 first draft of these schedules from my staff,  
23 I tried to go in and make the notes  
24 consistent for all the hospitals, so I helped  
25 to edit or clarify the notes as part of my

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1 Q. Are there additional reserve transfers from  
2 Graduate that are in any way included in the  
3 numbers on this schedule?

4 A. Yes and no.

5 Q. Okay.

6 A. Never easy. If you look at footnote I, there  
7 is an item listed as \$59,000 for a shortfall  
8 adjustment. If you recall looking back at  
9 some of Dan's, after booking a 50 there was  
10 still a \$25 million shortfall related to  
11 writeoff after all the past statute accounts  
12 and the continued deterioration of the  
13 agings.

14 Part of the shortfall adjustment, the  
15 reserves came from Graduate. Part of them  
16 came from the individual DVOG hospitals like  
17 within DVOG, which is why they were called  
18 shortfall adjustments. Basically that was  
19 taken from Dan's memo, that wording.

20 So of the \$25 million, I think 21  
21 million of it was from Graduate, 4 million  
22 was within DVOG. We didn't break that out as  
23 in detail on here, the 4 versus the 21.

24 Q. So the memo you're talking about I think is  
25 what we looked at earlier this morning as

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1 Exhibit 43, a July 3, '97 memo from  
 2 Mr. Cancelmi; is that right?  
 3 A. Yes, correct.  
 4 Q. That shows the \$25,038,000 bad debt reserve  
 5 shortfall on the first page?  
 6 A. Yes.  
 7 Q. And then attachment A on the second page is  
 8 entitled Reserves Used to Cover Bad Debt  
 9 Shortfall?  
 10 A. Yes.  
 11 Q. Again, I apologize that the numbers are a  
 12 little bit cut off on the second page in the  
 13 last column, but I think if we consult the  
 14 handwritten version that you received from  
 15 Mr. Cancelmi on the third page of Exhibit  
 16 284, I think we'll see a \$25,331,000 in total  
 17 reserves utilized?  
 18 A. Total reserves utilized, yes. The bad debt  
 19 piece was the \$25,083,000, which is at the  
 20 top.  
 21 Q. That includes certain reserves that were  
 22 existing DVOG reserves, namely the  
 23 capitalized interest reserves and the  
 24 depreciation reserves at Hahnemann University  
 25 Hospital?

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1 Q. And we see earlier when we compared various  
 2 schedules and looked at your handwritten note  
 3 to Mr. Lisman, that the capital -- that the  
 4 use of capitalized interest reserves to cover  
 5 the bad debt shortfall was accompanied by a  
 6 credit to bad debt expense; right?  
 7 A. Debit to bad debt expense  
 8 Q. Where the use of the Graduate reserves was  
 9 not accompanied by any entry to bad debt  
 10 expense?  
 11 A. Correct.  
 12 Q. So that we know from other documents that  
 13 this \$59,000 shortfall adjustment in note I  
 14 was expensed, but there is no way to tell  
 15 that from the face of the schedule; right?  
 16 A. Correct.  
 17 Q. So if we go, please, to the next page, Bates  
 18 page M in Exhibit 289, this is the outpatient  
 19 bad debt roll forward for Bucks County;  
 20 right?  
 21 A. Yes.  
 22 Q. And there are no amounts on this schedule  
 23 that are identified as transfers from  
 24 Graduate, are there?  
 25 A. No.

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1 A. Correct.  
 2 Q. And then beginning where it says Graduate  
 3 reserves down through the end, those were  
 4 reserves transferred from the Graduate  
 5 entities; right?  
 6 A. Correct.  
 7 Q. Now, Mr. Cancelmi in his memo referred to  
 8 that as reserves used to cover bad debt  
 9 shortfall; right?  
 10 A. Yes.  
 11 Q. What you're saying is the \$59,000 shortfall  
 12 adjustment in note I on Bates page L in  
 13 Exhibit 289 is a portion of that \$25 million  
 14 amount?  
 15 A. Correct.  
 16 Q. There is no way from the face of this  
 17 schedule itself to determine whether that  
 18 \$59,000 amount was transferred from Graduate;  
 19 there?  
 20 A. From the face of this schedule, no.  
 21 Q. Now, if we look at attachment A to  
 22 Mr. Cancelmi's July 3 memo, the \$59,000 is  
 23 shown at Bucks County Hospital as the use of  
 24 capitalized interest reserves; right?  
 25 A. Yes.

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1 Q. Are there any amounts on the schedule that,  
 2 in fact, were reserves transferred from  
 3 Graduate even though they are not identified  
 4 as such?  
 5 A. Yes.  
 6 Q. What amount is that?  
 7 A. The 1.5 million that's labeled Account  
 8 Shortfall Adjustment.  
 9 Q. That's in note H?  
 10 A. Yes.  
 11 Q. For June 1997?  
 12 A. Yes.  
 13 Q. And if we look now again at attachment A to  
 14 Exhibit 43, we can see that same \$1,500,000  
 15 amount in reserve transferred from the  
 16 Graduate Hospital; right?  
 17 A. Yes.  
 18 Q. And we know from the other documents that  
 19 we've looked at today that that amount was  
 20 not expensed at Bucks County; right?  
 21 A. Correct.  
 22 Q. But there is no way to tell from the  
 23 outpatient bad debt roll forward provided to  
 24 Coopers & Lybrand that the \$1,500,000  
 25 shortfall adjustment involved transfer of

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<p style="text-align: right;">Page 607</p> <p>1 reserves from Graduate; is there?</p> <p>2 A. Correct, no.</p> <p>3 Q. And there is no way to tell that that amount</p> <p>4 was not expensed as opposed to the shortfall</p> <p>5 adjustment in the inpatient account which, in</p> <p>6 fact, was expensed; correct?</p> <p>7 A. Correct.</p> <p>8 MR. RYAN: Let me mark, please, as</p> <p>9 Exhibit 290 a set of schedules with Bates</p> <p>10 numbers CL013556 A through M.</p> <p>11 -----</p> <p>12 (Deposition Exhibit 290 marked for</p> <p>13 identification.)</p> <p>14 -----</p> <p>15 BY MR. RYAN:</p> <p>16 Q. Do you recognize the schedule in Exhibit 290,</p> <p>17 Ms. Schaffer?</p> <p>18 A. Yes.</p> <p>19 Q. What are they?</p> <p>20 A. These are the same schedules we just looked</p> <p>21 at before in Exhibit 289, but they are for</p> <p>22 Elkins Park and not Bucks County, as we</p> <p>23 looked at before.</p> <p>24 Q. So these are again schedules that you or your</p> <p>25 staff prepared and that you reviewed as part</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 609</p> <p>1 split not based on any actual data. It was</p> <p>2 just we knew we weren't going to get 100</p> <p>3 percent of charges, so we tended to assume 80</p> <p>4 percent. So I don't believe I would have</p> <p>5 said that it was historical data from patient</p> <p>6 accounting.</p> <p>7 Q. You don't recall telling anyone from Coopers</p> <p>8 &amp; Lybrand, do you, that you had any</p> <p>9 historical data that was inconsistent with</p> <p>10 the 80-20 split?</p> <p>11 A. No.</p> <p>12 Q. If you could turn, please, to the Elkins Park</p> <p>13 inpatient bad debt roll forward on Bates page</p> <p>14 L. Now, this schedule shows a \$3 million</p> <p>15 transfer from Graduate in note G for March,</p> <p>16 1997; right?</p> <p>17 A. Yes.</p> <p>18 Q. And then a \$5 million transfer from Graduate</p> <p>19 in note H for April 1997?</p> <p>20 A. Correct.</p> <p>21 Q. That \$8 million amount is the only amount</p> <p>22 that's identified on the schedule as a</p> <p>23 transfer from Graduate; right?</p> <p>24 A. Yes.</p> <p>25 Q. And the next page, Bates page M, which is the</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>
<p style="text-align: right;">Page 608</p> <p>1 of your calculation of the bad debt allowance</p> <p>2 required for Elkins Park on June 30, '97?</p> <p>3 A. Yes.</p> <p>4 Q. And you then provided these schedules to</p> <p>5 Coopers &amp; Lybrand for their audit?</p> <p>6 A. Yes.</p> <p>7 Q. Do you see on the very first page here there</p> <p>8 is a tick mark B by an entry for 20 percent?</p> <p>9 A. Yes.</p> <p>10 Q. And that relates to contractual allowance on</p> <p>11 so-called commercial accounts; is that right?</p> <p>12 A. Yes.</p> <p>13 Q. And do you see then tick mark B reads Based</p> <p>14 upon historical data from patient accounting?</p> <p>15 A. Yes.</p> <p>16 Q. Is that tick mark B something that was</p> <p>17 already on the schedule when you provided it</p> <p>18 to Coopers?</p> <p>19 A. I don't think it was.</p> <p>20 Q. All right. Do you believe that you told</p> <p>21 someone from Coopers &amp; Lybrand that the 20</p> <p>22 percent contractual allowance for commercial</p> <p>23 accounts was based upon historical data from</p> <p>24 patient accounting?</p> <p>25 A. No, only because we always just used an 80-20</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>	<p style="text-align: right;">Page 610</p> <p>1 outpatient bad debt roll forward for Elkins</p> <p>2 Park, there are no amounts that are</p> <p>3 identified as transfers from Graduate, are</p> <p>4 there?</p> <p>5 A. No.</p> <p>6 Q. And on each of the schedules in inpatient and</p> <p>7 outpatient, the note for the other amount for</p> <p>8 June includes a shortfall adjustment; right?</p> <p>9 A. Yes.</p> <p>10 Q. \$24,000 for inpatient and \$2,700,000 for</p> <p>11 outpatient?</p> <p>12 A. Yes.</p> <p>13 Q. And there is no way to tell from these</p> <p>14 schedules how much of that amount involved</p> <p>15 the transfer of reserves from Graduate, is</p> <p>16 there?</p> <p>17 A. No.</p> <p>18 Q. And there is no way to tell from these</p> <p>19 schedules which portion of the so-called</p> <p>20 shortfall adjustment was expensed and which</p> <p>21 portion was not expensed; right?</p> <p>22 A. Correct.</p> <p>23 MR. RYAN: Can we mark, please, as</p> <p>24 Exhibit 291 a set of schedules with Bates</p> <p>25 numbers CL013568 A through N as in Nancy.</p> <p>MANHATTAN REPORTING CORP., A LEGALINK COMPANY</p>



ROBIN R. SCHAFFER

Page 611

1 -----  
 2 (Deposition Exhibit 291 marked for  
 3 identification.)  
 4 -----  
 5 BY MR. RYAN:  
 6 Q. Do you recognize the schedules in Exhibit  
 7 291, Ms. Schaffer?  
 8 A. Yes.  
 9 Q. What are they?  
 10 A. Again, these are similar to Exhibits 289 and  
 11 290, except they are for Hahnemann Hospital,  
 12 and they are the in and outpatient bad debt  
 13 reserve calculations and the in and  
 14 outpatient bad debt roll forward analyses.  
 15 Q. As with the previous two exhibits, these are  
 16 schedules that you or your staff prepared and  
 17 that you reviewed as part of your calculation  
 18 of the bad debt allowances for the DVOG  
 19 hospitals at June 30, '97?  
 20 A. Yes.  
 21 Q. And you then provided the schedules to  
 22 Coopers & Lybrand as part of their audit?  
 23 A. Yes.  
 24 Q. Now, if you could look, please, at the  
 25 inpatient bad debt roll forward on Bates page  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

Page 613

1 read bad debt shortfall adjustments; right?  
 2 A. Correct.  
 3 Q. Is there any way that you can tell from  
 4 looking at these schedules how much of the  
 5 \$691,047, amount in the other column for the  
 6 inpatient bad debt allowance for June was a  
 7 transfer of reserves from Graduate?  
 8 A. No.  
 9 Q. And is there any way that you can tell from  
 10 looking at these schedules that you provided  
 11 to Coopers & Lybrand how much of the  
 12 \$10,638,000 amount in the other column of the  
 13 outpatient bad debt roll forward for June was  
 14 reserves transferred from Graduate?  
 15 A. No.  
 16 Q. Is there any way you can tell on either of  
 17 these schedules how much of the shortfall  
 18 adjustments were expense?  
 19 A. No.  
 20 MR. RYAN: Let me mark, please, as  
 21 Exhibit 292 a set of schedules with Bates  
 22 numbers CL013580 A through G.  
 23 -----  
 24 (Deposition Exhibit 292 marked for  
 25 identification.)  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

Page 612

1 M as in Mary, do you see note E states  
 2 Transfer of reserves from Graduate?  
 3 A. Yes.  
 4 Q. And that refers to a \$5 million amount in  
 5 March and a \$5 million amount in April?  
 6 A. Yes.  
 7 Q. For a total of \$10 million?  
 8 A. Yes.  
 9 Q. And in your understanding is that Hahnemann  
 10 University Hospital's portion of the \$50  
 11 million reserve transfer?  
 12 A. Yes.  
 13 Q. Are there any other amounts either on the  
 14 inpatient or outpatient bad debt roll forward  
 15 that are identified as reserves transferred  
 16 from Graduate?  
 17 A. No.  
 18 Q. Do you believe that there are additional  
 19 amounts that, in fact, were reserves  
 20 transferred from Graduate?  
 21 A. Yes.  
 22 Q. And where are those identified?  
 23 A. In footnote F on schedule M and footnote D on  
 24 schedule N.  
 25 Q. And those are notes that in each case just  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

Page 614

1 -----  
 2 BY MR. RYAN:  
 3 Q. I apologize for the small type on some of the  
 4 pages. Do you recognize the schedule in  
 5 Exhibit 292, Ms. Schaffer?  
 6 A. Yes.  
 7 Q. What are they?  
 8 A. These are the same schedules we have just  
 9 looked at in the previous three exhibits for  
 10 MCC and EPPI. It's the bad debt reserve  
 11 calculation and the roll forwards for in and  
 12 outpatient.  
 13 Q. MCC was the main clinical campus of the  
 14 Medical College of Pennsylvania Hospital;  
 15 right?  
 16 A. Correct.  
 17 Q. Also known as MCP?  
 18 A. Yes.  
 19 Q. So Bates page F shows on the top the bad debt  
 20 roll forward for EPPI; right?  
 21 A. Yes.  
 22 Q. The Eastern Pennsylvania Psychiatric  
 23 Institute?  
 24 A. Yes.  
 25 Q. And the bottom of Bates page F shows the bad  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

15 (Pages 611 to 614)

ROBIN R. SCHAFFER

Page 615

1 debt roll forwards for MCP inpatient?  
 2 A. Yes.  
 3 Q. And Bates page G shows the bad debt roll  
 4 forward for MCP outpatient; right?  
 5 A. Yes.  
 6 Q. And now is it your understanding that as of  
 7 June 30, '97, the EPPI bad debt allowance  
 8 account was closed out and combined with the  
 9 MCP inpatient account?  
 10 A. Yes.  
 11 Q. And that's why the ending balance for the bad  
 12 debt allowance account at EPPI is zero?  
 13 A. Yes.  
 14 Q. And the balance in the account was then  
 15 transferred to the MCP inpatient account;  
 16 right?  
 17 A. Correct.  
 18 Q. And the required bad debt allowance of MCP  
 19 inpatient that you calculated then was the  
 20 required amount for the inpatient accounts  
 21 receivable at MCP plus the required amount  
 22 for the accounts receivable at EPPI?  
 23 A. Yes.  
 24 Q. Now, the only amounts that are identified on  
 25 any of these three bad debt roll forwards for  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

Page 617

1 (Deposition Exhibit 293 marked for  
 2 identification.)  
 3 ----  
 4 BY MR. RYAN:  
 5 Q. Do you recognize the schedules in Exhibit  
 6 293, Ms. Schaffer?  
 7 A. Yes.  
 8 Q. What are they?  
 9 A. Again, this is the same type of schedules we  
 10 were looking at in the previous four  
 11 exhibits, but this one is for St.  
 12 Christopher's Hospital. It's the bad debt  
 13 reserve calculations and the corresponding in  
 14 and outpatient bad debt reserve roll  
 15 forwards.  
 16 Q. These schedules, as with the schedules in the  
 17 previous four exhibits, were prepared by you  
 18 or your staff and were reviewed by you as  
 19 part of your calculation of the bad debt  
 20 allowances at the DVOG hospitals at June 30,  
 21 1997; right?  
 22 A. Yes.  
 23 Q. And you then provided these schedules to  
 24 Coopers & Lybrand for their audit?  
 25 A. Yes.  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

Page 616

1 MCP Hospital and EPPI as being the transfer  
 2 of reserves from Graduate is \$15 million in  
 3 note F on the MCP inpatient bad debt roll  
 4 forward; correct?  
 5 A. Correct.  
 6 Q. And now again note G at MCP inpatient and  
 7 note D on MCP outpatient refer to a YE  
 8 shortfall adjust or adjustment; right?  
 9 A. Yes.  
 10 Q. Is it your understanding that those so-called  
 11 shortfall adjustments included the transfer  
 12 of reserves from Graduate?  
 13 A. Yes.  
 14 Q. But there is no way to tell from these roll  
 15 forward schedules how much of that shortfall  
 16 adjustment involved transfer of reserves from  
 17 Graduate, is there?  
 18 A. No.  
 19 Q. There is no way to tell how much of the  
 20 shortfall adjustment was expensed; right?  
 21 A. No.  
 22 MR. RYAN: Let me mark, please, as  
 23 Exhibit 293 a schedule with Bates number  
 24 CL13584 A through M.  
 25 ----  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

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1 Q. And if we look at the inpatient bad debt roll  
 2 forward for St. Christopher's on Bates page  
 3 L, there is a \$6 million Graduate Hospital  
 4 transfer identified in note F; is that right?  
 5 A. Yes.  
 6 Q. And then an additional \$4 million Graduate  
 7 Hospital revenue transfer in note G; is that  
 8 right?  
 9 A. Yes.  
 10 Q. And that \$10 million amount is St.  
 11 Christopher's portion of the \$50 million  
 12 transfer of reserves from Graduate?  
 13 A. Yes.  
 14 Q. Those are the only amounts expressly  
 15 identified on this bad debt roll forwards as  
 16 transfer of reserves from Graduate; is that  
 17 right?  
 18 A. Yes.  
 19 MR. RYAN: Let me mark, please, as  
 20 Exhibit 294 documents with Bates numbers TNP  
 21 00568 through 601.  
 22 ----  
 23 (Deposition Exhibit 294 marked for  
 24 identification.)  
 25 ----  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

16 (Pages 615 to 618)

ROBIN R. SCHAFFER

Page 619

1 BY MR. RYAN:  
 2 Q. Now, let me direct you to a specific page  
 3 here which is the page ending in 75. Do you  
 4 recognize this page, Ms. Schaffer?  
 5 A. Yes.  
 6 Q. What is it?  
 7 A. This is Hahnemann's summary of bad debt  
 8 reserves for inpatient as of 6-30-97. This  
 9 is the draft right after my staff prepared  
 10 the initial roll forward.  
 11 Q. And the print date for this schedule as shown  
 12 in the upper right-hand corner is July 22,  
 13 '97; right?  
 14 A. Yes.  
 15 Q. Is the handwriting on this page yours?  
 16 A. Yes.  
 17 Q. All of it?  
 18 A. Yes.  
 19 Q. So these were the edits that you made to the  
 20 Hahnemann inpatient bad debt allowance roll  
 21 forward before you provided the final version  
 22 to Coopers & Lybrand for their audit;  
 23 correct?  
 24 A. Correct.  
 25 Q. And if you look at what used to be note 6  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

Page 621

1 A. Yes. Those were most likely relating -- and  
 2 I don't remember the exact number -- to those  
 3 contractual adjustments that were booked  
 4 earlier in the year to increase the net  
 5 research and reduce the contractuals, and  
 6 later those adjustments were put into the bad  
 7 debt reserve account.  
 8 Q. Okay. So those are the entries in September  
 9 '96 that we talked about on the previous  
 10 days?  
 11 A. Yes.  
 12 Q. And the term bottom line adjustment reflects  
 13 the fact that those adjustments increased net  
 14 income; right?  
 15 A. Correct.  
 16 Q. Net income is referred to sometimes as the  
 17 bottom line; right?  
 18 A. Correct.  
 19 Q. And you edited what originally was note one  
 20 that reads reserve adjustments?  
 21 A. Right.  
 22 Q. If we go back to the Hahnemann inpatient bad  
 23 debt roll forward as provided to Coopers &  
 24 Lybrand -- that's here in Exhibit 291, Bates  
 25 page M as in Mary, note A now reads reserve  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

Page 620

1 which you've changed to note E, do you see  
 2 that you've written there by hand Transfer of  
 3 reserves from Graduate?  
 4 A. Yes.  
 5 Q. And that's associated with the \$10 million  
 6 that are part of the \$50 million reserve  
 7 transfer from Graduate; is that right?  
 8 A. Yes.  
 9 Q. And then you wrote in what used to be note 7  
 10 that is now note F -- you added the words bad  
 11 debt before shortfall adjustments; right?  
 12 A. Yes.  
 13 Q. And you did not indicate there that those  
 14 shortfall adjustments included the transfer  
 15 of reserves from Graduate, did you?  
 16 A. No. I didn't think to do that at the time,  
 17 no.  
 18 Q. Now, if you could look up, please, at what  
 19 used to be note 1, do you see the original  
 20 version of this roll forward schedule said  
 21 July through September other pertains to  
 22 bottom line adjustments?  
 23 A. Yes.  
 24 Q. Do you have an understanding as to what the  
 25 term bottom line adjustment refers to?  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

Page 622

1 adjustments the way you edited it in Exhibit  
 2 294; right?  
 3 A. Yes.  
 4 Q. And note E reads transfer of reserves from  
 5 Graduate the way you edited in what used to  
 6 be note 6 which became note E?  
 7 A. Yes.  
 8 Q. And note F reads bad debt shortfall  
 9 adjustments as you edited in what used to be  
 10 note 7 which became note F; right?  
 11 A. Yes.  
 12 Q. If you could turn, please, to the next page  
 13 in Exhibit 294, Bates page 576, is this the  
 14 original outpatient bad debt roll forward for  
 15 Hahnemann Hospital prepared by your staff?  
 16 A. Yes.  
 17 Q. Is the handwriting here your edits?  
 18 A. Yes.  
 19 Q. That includes the edit to what used to be  
 20 note 5 which became note D as in door, which  
 21 reads bad debt shortfall adjustments; right?  
 22 A. Yes.  
 23 Q. Now, if you could turn, please, to Bates page  
 24 578.  
 25 A. I don't know where the page numbers are on  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

17 (Pages 619 to 622)

ROBIN R. SCHAFFER

Page 655

1 \$7 million of reserve transfers from Graduate  
2 in May 1997?

3 A. Yes.

4 MR. RYAN: Let me mark, please, as  
5 Exhibit 302 a document with Bates numbers  
6 DBCM 2800058 through 70.

7 -----  
8 (Deposition Exhibit 302 marked for  
9 identification.)  
10 -----

11 BY MR. RYAN:

12 Q. Do you recognize Exhibit 302, Ms. Schaffer?

13 A. The only pages that I recognize in Exhibit  
14 302 are pages 61 through 70, which are what  
15 we have been calling the cheat sheets.

16 Q. So Bates pages 61 through 70 are cheat sheets  
17 that you prepared?

18 A. Again, I would have prepared every one except  
19 Parkview and City, which I don't even know if  
20 they are in here. Yes. Parkview and City  
21 would have most likely been either prepared  
22 by myself -- but I don't think I did them --  
23 or Frank Insana who was under Al Adamczak.

24 Q. But all the other ones, the five DVOG  
25 hospitals, the Graduate Hospital, St. Sinai  
MANHATTAN REPORTING CORP., A LEGALINK COMPANY

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1 works using the \$260,941,000 figure from  
2 Exhibit 300.

3 A. Yes. 12,964,000 is what calculates -- or  
4 12,964.

5 Q. So it's \$12,964 per admission?

6 A. Correct.

7 Q. So these cheat sheets here attached to  
8 Exhibit 302 are based on the same revenue  
9 figures that you had in your July 17, '97  
10 memo in Exhibit 300?

11 A. Yes.

12 Q. And they include in net revenue the \$7  
13 million of Graduate reserves taken into  
14 income in May; right, so that, for example, a  
15 note I on Bates 61 we see the \$5 million  
16 transferred from Graduate to Hahnemann  
17 Hospital?

18 A. Yes.

19 Q. But they don't include any reserve transfers  
20 into income for June, do they?

21 A. No, and I don't know why they don't.

22 MR. RYAN: Let me mark, please, as  
23 Exhibit 303 a document with Bates numbers DLC  
24 NR 011858 through 62.  
25 -----

MANHATTAN REPORTING CORP., A LEGALINK COMPANY

Page 656

1 Hospital and Rancocas Hospital you did?

2 A. Yes.

3 Q. Now, if we look at your Delaware Valley  
4 patient revenue analysis on the second page  
5 of Exhibit 300, the actual year to date  
6 inpatient net revenue was \$264,941,000 is;  
7 right?

8 A. Yes.

9 Q. If we look at the June 1997 Hahnemann cheat  
10 sheet on Bates page 61 of Exhibit 302, the  
11 actual year to date admissions were 20,437;  
12 is that right?

13 A. Yes.

14 Q. You see in the middle left-hand column headed  
15 Net Revenue there is a line Fiscal Year '97  
16 Average?

17 A. Yes.

18 Q. That says \$12,964?

19 A. Yes.

20 Q. Would that figure be calculated by taking the  
21 actual year to date in patient net revenue  
22 and dividing by the actual year to date  
23 admissions?

24 A. That's how it should work, yes.

25 Q. Would you mind seeing if that calculation  
MANHATTAN REPORTING CORP., A LEGALINK COMPANY

Page 658

1 (Deposition Exhibit 303 marked for  
2 identification.)  
3 -----

4 BY MR. RYAN:

5 Q. Now, if you could turn, please, to the second  
6 page of Exhibit 303. This is a June 1997  
7 cheat sheet for Hahnemann; right?

8 A. Yes.

9 Q. And the typed schedule is identical to the  
10 one on Bates page 61 in Exhibit 302; is that  
11 right?

12 A. Yes.

13 Q. Is that your handwriting on this page?

14 A. Yes.

15 Q. Now, if we turn back to the first page of  
16 Exhibit 303, this is a revised version of the  
17 same June '97 Hahnemann cheat sheet, isn't  
18 it?

19 A. Yes.

20 Q. So that there is a note J by the June '97  
21 inpatient net revenue per admission that  
22 wasn't on the previous sheet; right?

23 A. Correct.

24 Q. And that note reads Include \$10 million  
25 general reserve adjustment?

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ROBIN R. SCHAFFER

Page 659

1 A. Yes.  
 2 Q. And the inpatient net revenue per admission  
 3 has gone from \$11,370 for that month to  
 4 \$19,382; right?  
 5 A. Yes.  
 6 Q. Do you believe that's \$10 million in reserves  
 7 transferred from Graduate into the Hahnemann  
 8 inpatient contractual allowance account?  
 9 A. I'm not sure if it was all from Graduate or  
 10 not since I did specifically above that say  
 11 Graduate. So I would think that it's at  
 12 least part of it came from Graduate, but I  
 13 don't know if the whole \$10 million did or  
 14 not.  
 15 Q. But certainly it's a transfer of reserves  
 16 into the contractual allowance account at  
 17 Hahnemann?  
 18 A. Right.  
 19 Q. And that transfer of reserves operated to  
 20 reduce the contractual allowance and sort of  
 21 make inpatient net revenue appear to be  
 22 higher than it actually was?  
 23 A. Yes.  
 24 Q. Now, is what you're doing in the upper  
 25 right-hand corner of the second page of  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

Page 661

1 A. Yes.  
 2 Q. And a variance described as pharmacy  
 3 corrections?  
 4 A. Yes.  
 5 MR. RYAN: Let me mark, please, as  
 6 Exhibit 304 a document with Bates numbers DLC  
 7 NR 011732 through 36.  
 8 - - - -  
 9 (Deposition Exhibit 304 marked for  
 10 identification.)  
 11 - - - -  
 12 BY MR. RYAN:  
 13 Q. So the second page of Exhibit 304 is the  
 14 original June '97 cheat sheet for MCP  
 15 Hospital; is that right?  
 16 A. It looks that way, yes.  
 17 Q. And that ties to the cheat sheet on Bates 62  
 18 in Exhibit 302; right?  
 19 A. Yes.  
 20 Q. And the first page of Exhibit 304 is a  
 21 revised cheat sheet?  
 22 A. Yes.  
 23 Q. Revised to include, as stated in note E, a \$3  
 24 million general reserve adjustment?  
 25 A. Yes.  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

Page 660

1 Exhibit 303 calculating the volume and rate  
 2 variance for Hahnemann for June '97?  
 3 A. Yes. It looks like I'm taking the total  
 4 variance and then breaking it out between  
 5 volume and rate.  
 6 Q. And that's a variance to budget?  
 7 A. Yes.  
 8 Q. So the \$5,084,000 volume variance is based on  
 9 the calculation on the next page, Bates 1860;  
 10 is that right?  
 11 A. Yes.  
 12 Q. And that's a calculation that you did; right?  
 13 A. Yes.  
 14 Q. You prepared the typed schedule and then you  
 15 made the handwritten additions in the bottom;  
 16 right?  
 17 A. Yes.  
 18 Q. And the \$2,200,000 rate variance that you  
 19 have in the upper right-hand corner of Bates  
 20 1859 is based on the schedule at Bates 1861  
 21 to 62; right?  
 22 A. Yes.  
 23 Q. And then there are two other particular  
 24 variances that you knew about prior year CRA  
 25 variance?  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

Page 662

1 Q. Now, the total year to date admission --  
 2 let's do the monthly admissions. So the  
 3 total admissions for the month of June '97 at  
 4 the main clinical campus and EPPI combined  
 5 would be 1,085 plus 223?  
 6 A. Yes.  
 7 Q. So that's 1,308?  
 8 A. Yes.  
 9 Q. Could you calculate them, please, what the  
 10 effect on net revenue per admission for that  
 11 month would be of a \$3 million general  
 12 reserve adjustment as shown in note E?  
 13 A. It would be \$2,294 per admission.  
 14 Q. If you compare the original net revenue per  
 15 admission for June '97 at MCP in the second  
 16 page of Exhibit 304 to the revised number on  
 17 the first page, the difference is that same  
 18 \$2,294 figure; is it not?  
 19 A. Let me just make sure. Yes.  
 20 Q. So it's the \$3 million general reserve  
 21 adjustment that's accounting for the change  
 22 in inpatient net revenue per admission for  
 23 June '97; right?  
 24 A. Yes.  
 25 Q. And that's also what's increasing the fiscal  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

27 (Pages 659 to 662)



ROBIN R. SCHAFFER

Page 683

1 (Deposition Exhibit 312 marked for  
2 identification.)  
3 -----  
4 BY MR. RYAN:  
5 Q. Exhibit 312 consists of a series of June '97  
6 cheat sheets; right?  
7 A. Yes.  
8 Q. And you recall generally that you gave  
9 Coopers & Lybrand during the '97 audit or  
10 probably during every year's audit a version  
11 of the cheat sheets; right?  
12 A. Yes.  
13 Q. To help them look at the relationship between  
14 gross and net revenues?  
15 A. Yes.  
16 Q. Now, if you could dig out Exhibit 304 which  
17 is the revised and original MCP June '97  
18 cheat sheets. In Exhibit 304 the fiscal year  
19 '97 average inpatient net revenue per  
20 admission is \$11,169; right?  
21 A. Yes.  
22 Q. And Exhibit 304 there is a footnote E which  
23 explains that includes the \$3 million general  
24 reserve adjustment; right?  
25 A. Yes.

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1 '97 cheat sheet; right?  
2 A. Yes.  
3 Q. But footnote F, which explains that there was  
4 a \$1 million use of reserves, isn't on the  
5 version provided to Coopers & Lybrand; right?  
6 A. Again, no. But it wasn't on the one before  
7 either, not by the average.  
8 Q. If you could just skip ahead to the last page  
9 of Exhibit 312. See in the middle there is a  
10 cheat sheet for the Graduate Hospital?  
11 A. Yes.  
12 Q. If we compare that one to the revised and  
13 original Graduate Hospital cheat sheets we  
14 marked as Exhibit 308, you'll see the \$11,100  
15 figure for fiscal year '97 average inpatient  
16 net revenue per admission ties?  
17 A. Yes.  
18 Q. Here for the Graduate Hospital one of the  
19 footnotes remains footnote G; right?  
20 A. Yes.  
21 Q. Which says Does not include \$9.4 million HSI  
22 deferred revenue?  
23 A. Right.  
24 Q. Do you believe that what you did with the  
25 cheat sheet file before you provided to it

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1 Q. Now, Exhibit --  
2 A. I'm sorry. That's by the month of June, not  
3 the average.  
4 Q. Right. Okay. That's listed for the month of  
5 June.  
6 A. Correct.  
7 Q. Now, in Exhibit 312 there is the same fiscal  
8 year '97 average in patient net revenue per  
9 admission of \$11,169; right?  
10 A. Yes.  
11 Q. And there is no footnote anywhere on the  
12 schedule that would inform the reader that  
13 there had been a use of reserves at MCP, is  
14 there?  
15 A. No, that it wasn't there before either on the  
16 average.  
17 Q. It was there by the monthly figure?  
18 A. That's correct.  
19 Q. Now, the next page in Exhibit 312 is the June  
20 '97 cheat sheet for Elkins Park from the  
21 Coopers & Lybrand production; right?  
22 A. Yes.  
23 Q. If we look back at Exhibit 306 the fiscal  
24 year '97 average inpatient net revenue per  
25 admission of \$4,283 ties to the revised June

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1 Coopers & Lybrand was that you went and  
2 eliminated the monthly entries with their  
3 associated footnotes?  
4 A. Yes, because they look at fiscal years, they  
5 didn't look at the months.  
6 Q. Right.  
7 A. So that was probably that request is my  
8 guess.  
9 Q. Coopers isn't auditing results for the months  
10 of April, May or June?  
11 A. That's correct.  
12 Q. They are just auditing the annual AHERF  
13 financial statements?  
14 A. Correct.  
15 Q. So they didn't need to know the information  
16 about, for instance, inpatient net revenue  
17 per admission for the particular months;  
18 right?  
19 A. Correct.  
20 Q. They want to know what the yearly total was,  
21 though?  
22 A. That's right.  
23 Q. Wouldn't you have thought, though, they would  
24 still be interested in knowing the  
25 information in the footnotes that there had

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1 been millions of dollars in reserve  
 2 adjustments?  
 3 A. I wasn't at the time thinking they didn't  
 4 know. I just gave them what they  
 5 specifically asked for.  
 6 Q. But in the files that you gave them for each  
 7 of the DVOG hospitals here in Exhibit 312,  
 8 MCP, Elkins Park, Bucks County, St.  
 9 Christopher's and Hahnemann, there is no way  
 10 to tell from this file that there were  
 11 millions of dollars of uses of reserves to  
 12 increase net income; right?  
 13 A. Right.  
 14 Q. And you believed that this is the version  
 15 that you gave to Coopers; right?  
 16 A. If it was on that diskette, most likely it  
 17 came from my audit directory. So I would say  
 18 yes, but I would have to look at my audit  
 19 directory to be sure. I don't know if they  
 20 did something. Maybe they deleted stuff  
 21 after I gave it to them. I don't know for  
 22 sure.  
 23 MR. RYAN: Let me mark as Exhibit 313  
 24 a version of the same file printed off of the  
 25 Coopers & Lybrand class system with Bates  
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1 report -- is gross to net revenue trend  
 2 report the formal name for what we've been  
 3 calling the cheat sheets?  
 4 A. It may be their formal name. Ours was the  
 5 cheat sheets.  
 6 Q. So you and Dan just called it cheat sheets?  
 7 A. Right.  
 8 Q. Do you believe that you told someone from  
 9 Coopers & Lybrand the substance of what's  
 10 stated here in this note that we just read?  
 11 A. That we analyzed -- specifically, no. But I  
 12 may have told them that we do review the  
 13 cheat sheets every month to look for unusual  
 14 variances or unusual trends, but I don't  
 15 specifically remember saying that as it's  
 16 worded here.  
 17 Q. But if Kristen Heinlein had asked you what  
 18 this schedule was, why you had given it to  
 19 her, is this eventually the explanation you  
 20 would have provided her?  
 21 A. Most likely I would have said that this is  
 22 used to summarize or highlight the months'  
 23 results, and it's used as an analytical tool  
 24 to determine if anything unusual had gone on,  
 25 so most likely I would have said something  
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1 numbers CL013380 through 84.  
 2 ----  
 3 (Deposition Exhibit 313 marked for  
 4 identification.)  
 5 ----  
 6 BY MR. RYAN:  
 7 Q. I apologize. This is a little bit hard to  
 8 read. Except for certain additional notes  
 9 that have been placed on the version in  
 10 Exhibit 313, do you agree that the underlying  
 11 schedules in 312 and 313 are identical?  
 12 A. Yes.  
 13 Q. Now, if you could look at the note in the top  
 14 of the first page of Exhibit 313, do you see  
 15 it says, Per conversation with Robin  
 16 Schaffer, C & L notes that Dan Cancelmi and  
 17 Robin analyzed this gross to net revenue  
 18 trend report to determine the rate variances  
 19 between months -- sorry -- to determine if  
 20 the rate variance between months for  
 21 inpatient and outpatient are consistent. For  
 22 rate fluctuate, Dan and Robin will  
 23 investigate the reason for the variance?  
 24 A. Yes.  
 25 Q. Is net -- is gross to net revenue trend  
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1 like that.  
 2 Q. Do you remember Kristen Heinlein asking you  
 3 any questions about these cheat sheets in  
 4 Exhibits 312 and 313?  
 5 A. No.  
 6 Q. I take it you didn't volunteer to  
 7 Ms. Heinlein that included in the figures in  
 8 the cheat sheets were substantial reserves  
 9 from Graduate?  
 10 A. No. Our normal procedure was to give them  
 11 what they asked for, and they would come to  
 12 us and ask specific questions, which they did  
 13 not.  
 14 Q. Having looked at these various documents, do  
 15 you believe then that Exhibits 312 and 313  
 16 are the versions of the cheat sheets that we  
 17 previously marked as Exhibits 303 through 309  
 18 that you provided to Coopers & Lybrand?  
 19 A. Yes.  
 20 Q. And as we discussed before you gave the cheat  
 21 sheets to Coopers & Lybrand, you stripped out  
 22 the monthly information with the footnotes  
 23 explaining the adjustments including the  
 24 reserves from Graduate; right?  
 25 A. Yes. Again, if this 312 is what was on the  
 MANHATTAN REPORTING CORP., A LEGALINK COMPANY

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1 diskette that I gave to Amy when she came  
2 back in '98, I would say yes. I'm just not  
3 100 percent who stripped out the months,  
4 whether it was me or Coopers. If it was on  
5 that disk, I did it.

6 Q. Okay. So if Exhibit 312 is a printout from  
7 that disk, then you would agree you're the  
8 one who removed that information?

9 A. Yes.

10 Q. Before giving the schedule to Coopers &  
11 Lybrand?

12 A. Yes.

13 MR. RYAN: Let me mark, please, as  
14 Exhibit 314 a nine-page unBates stamped  
15 document that I obtained from the bankruptcy  
16 trustee's repository from a box called  
17 Schaffer B-24 with bar code K 85208.

18 -----

19 (Deposition Exhibit 314 marked for  
20 identification.)

21 -----

22 BY MR. RYAN:

23 Q. Do you recognize Exhibit 314, Ms. Schaffer?

24 A. Vaguely, yes.

25 Q. What is it?

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1 Park. Do you see that four lines down under  
2 the heading Other Adjustments there is a row  
3 for transfer for Centennial?

4 A. Yes.

5 Q. Was the Centennial Bond Obligated Group the  
6 name for the four former Graduate Health  
7 System hospitals located in the Commonwealth  
8 of Pennsylvania?

9 A. Yes.

10 Q. You see there is an entry there for May '97  
11 of \$1 million?

12 A. Yes.

13 Q. If you turn to the next page, which is the  
14 schedule for St. Christopher's, do you see  
15 there is also a row there for transfer of  
16 reserves from Centennial?

17 A. Yes.

18 Q. And again there is a \$1 million in May '97;  
19 right?

20 A. Yes.

21 Q. If you turn two pages further on to the next  
22 to last page of the exhibit you see there the  
23 schedule for Hahnemann inpatient?

24 A. Yes.

25 Q. Do you see five lines down there is a row for  
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1 A. This looks like -- I'm just trying to  
2 determine which account number I'm trying to  
3 summarize here or someone is trying to  
4 summarize. It's a trend from July '96 to  
5 June '97 of what appears to be  
6 contractual-type reserve adjustments for  
7 inpatient and outpatient for MCP, EPPI, Bucks  
8 County, Elkins Park, St. Christopher's and  
9 Hahnemann.

10 Q. Even though the schedule is headed for the  
11 twelve months ending June 30, '97, do you  
12 agree that it's only filled out through May  
13 '97?

14 A. Yes.

15 Q. You don't recall providing this or any other  
16 summary of inpatient/outpatient adjustments  
17 to Coopers & Lybrand, do you?

18 A. I can't even recall today putting this thing  
19 together, so I'm not sure what I did it for.  
20 I know it looks like something I would have  
21 done, but I don't know what its purpose was  
22 for or when it was done or why. So I can't  
23 say that I gave it to Coopers either.

24 Q. If you could turn to the fifth page of the  
25 exhibit, please, which is page for Elkins

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1 transfer of reserves from Centennial?

2 A. Yes.

3 Q. And there is a \$5 million amount for May '97?

4 A. Yes.

5 Q. That's the same \$7 million May portion of the  
6 transfer of reserves into the DVOG hospitals  
7 contractual allowance accounts that we  
8 discussed previously; right?

9 A. Yes.

10 Q. And on this schedule those are called  
11 transfer of reserves from Centennial; right?

12 A. Yes.

13 MR. RYAN: Now, let me mark, please,  
14 as Exhibit 315 a two-page unBates stamped  
15 document which I got from Schaffer box B-15,  
16 bar code K85197 in the repository.

17 -----

18 (Deposition Exhibit 315 marked for  
19 identification.)

20 -----

21 BY MR. RYAN:

22 Q. Now, this is a similar summary of inpatient,  
23 outpatient adjustments for Bucks County but  
24 with the results filled in through June '97;  
25 right?

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35 (Pages 691 to 694)

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1 fiscal year '98?

2 A. Yes. But we also are reclassing this charity

3 care piece which is a big reason why we are

4 showing so much less bad debt expense. So I

5 would have to say a big piece of the reason

6 I'm saying it was somewhat conservative is we

7 were probably reserving accounts that we now

8 believed who have been charity care June 30,

9 '97, which wouldn't have changed the bottom

10 line. It just would have changed the bad

11 debt portion of the financial statements.

12 Q. And it would have changed the required bad

13 debt allowance as of June 30, '97?

14 A. Right.

15 Q. That is, it would have meant that you needed

16 \$10 million or so less than you actually had?

17 A. If this amount on this analysis is accurate,

18 which I'm sure at the time I believed it was,

19 yes, I would agree with that.

20 Q. And you prepared the schedule on the second

21 page of Exhibit 319; right?

22 A. Yes. I did prepare the schedule. I just

23 can't remember the exact methodology for

24 calculating that reclass, and that may or may

25 not have been my idea of how it should have

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1 attached here.

2 Q. Who prepared the schedule on the first page

3 of Exhibit 320?

4 A. I did.

5 Q. It's headed Amounts Per Attached Analyses

6 Provided to Auditors; correct?

7 A. Correct.

8 Q. Amounts of what?

9 A. The issue with PricewaterhouseCoopers coming

10 back in in the fall of or summer of '98 was

11 that they were saying that they did not know

12 what this \$99 million was. These amounts are

13 75 -- well, they are actually \$71 million of

14 the \$99 million that had surfaced at that

15 point in time.

16 This means that these amounts were

17 disclosed in footnotes on the June 30, '97

18 roll forwards is what this is saying, and

19 those roll forwards were provided to the

20 auditors.

21 Q. But only \$50 million of the \$75,103,000 was

22 disclosed as transfer of reserves from

23 Graduate; right?

24 A. Yes. Specifically on the roll forward in the

25 footnote, yes. That's because again of the

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1 been calculated. I just can't remember. It

2 could have been, but I don't know.

3 MR. RYAN: Let me mark, please, as

4 Exhibit 320 a document with Bates numbers

5 DRB-RS-0048 through 60.

6 ----

7 (Deposition Exhibit 320 marked for

8 identification.)

9 ----

10 BY MR. RYAN:

11 Q. Do you recognize Exhibit 320, Ms. Schaffer?

12 A. Yes.

13 Q. What is it?

14 A. This was a document that -- this first page

15 was a document that was prepared for

16 PricewaterhouseCoopers when they came back in

17 1998 to try to show PricewaterhouseCoopers

18 that they were aware of the \$99 million

19 figure that had then surfaced, which I don't

20 think any of us had really quantified until

21 \$99 until that time.

22 This was put together to show them

23 that they did know of \$75 million of the 99

24 simply by looking at our summary or bad debt

25 roll forwards at June 30, '97, which are also

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1 remaining \$25 million, not all of it came

2 from Graduate. And I didn't take the time to

3 go through and break out that footnote

4 further.

5 Q. So all you did to prepare this was simply to

6 go through and identify on the bad debt roll

7 forwards the totals of amounts disclosed as

8 reserves from Graduate plus amounts disclosed

9 as year-end shortfall adjustments?

10 A. Correct.

11 Q. As we have seen before, some of the year-end

12 shortfall adjustments came from Graduate and

13 other portions came from within DVOG; right?

14 A. That's correct.

15 Q. And some portions of the year-end shortfall

16 adjustment were expensed and other portions

17 weren't; right?

18 A. That's correct.

19 Q. And at least at Hahnemann Hospital I think we

20 saw before that the other column for June '97

21 is netted, so that you can't even tell what

22 portions of the totals, in fact, are

23 shortfall adjustments and what portions are

24 something else; right?

25 A. I think the only thing other than that

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1 \$100,000 that's really netted in there is the  
2 transfer between in and outpatient, which  
3 doesn't really affect the total. But yes,  
4 there is that million, 973 that went from in  
5 to outpatient.

6 Other than that there was that other  
7 \$100,000 on that query that I don't remember  
8 specifically what that was. But that was not  
9 pulled out of here separately for some  
10 reason. It was probably just missed.

11 Q. So you would agree then that the documents  
12 attached to the covering schedule in Exhibit  
13 320 could not be said to disclose the \$71  
14 million in reserve transfers from Graduate,  
15 just the \$50 million; right?

16 A. It's hard to answer that question because I  
17 believed then that Coopers knew the \$71  
18 million. I believe that they knew the \$71  
19 million was from Graduate.

20 Just because a description on a  
21 footnote follows a description on a journal  
22 entry doesn't change the issue in my mind.  
23 So if you're going to on the surface just say  
24 because it doesn't say transfers from  
25 Graduate, they didn't know about it, the

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1 So I am today under the impression --  
2 I was then and I am now -- that they knew  
3 what the \$21 million was. But no, they did  
4 not ever ask me and I did not ever tell them  
5 specifically what it was.

6 Q. And don't really know whether they really  
7 knew or not, right?

8 A. Other than inferring that they did, no.

9 MR. RYAN: Let's change for just one  
10 minute, switch tapes.

11 ----  
12 (There was a recess in the proceedings.)

13 ----  
14 THE VIDEOGRAPHER: We are now going  
15 off the record. The time on the screen is  
16 1:53.

17 ----  
18 (There was a recess in the proceedings.)

19 ----  
20 THE VIDEOGRAPHER: We are now back on  
21 the record. The time on the screen is 1:56.

22 MR. RYAN: Let me mark, please, as  
23 Exhibit 321 a document with Bates numbers  
24 DRB-RS-0072 through 85.

25 ----  
MANHATTAN REPORTING CORP., A LEGALINK COMPANY

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1 answer would be yes.

2 The fact that it was footnoted and  
3 called a shortfall adjustment and I was under  
4 the impression that they knew about the \$71  
5 million, my answer is going to be no. It  
6 depends on who you're asking, I guess.

7 Q. And you yourself never told anyone from  
8 Coopers that an additional \$21 million of  
9 reserves had been transferred from Graduate  
10 to DVOG bad debt allowance accounts, did you?

11 A. No one from Coopers ever asked me about that  
12 June footnote, so it was my impression that  
13 they were very much aware of that just as  
14 they were of the 50 because no one ever asked  
15 me.

16 Q. And you never told them; right?

17 A. I never went into their room and said I need  
18 to tell you something, there is another 21,  
19 no. I didn't think I needed to do that.

20 Q. And it's possible that they didn't ask you  
21 because they didn't know?

22 A. I would hope that they would want to know  
23 what that is, and my impression is because  
24 they didn't ask, they knew because it's a  
25 very big amount of money, it's \$21 million.

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1 (Deposition Exhibit 321 marked for  
2 identification.)

3 ----  
4 BY MR. RYAN:

5 Q. Do you recognize Exhibit 321, Ms. Schaffer?

6 A. Yes.

7 Q. What is it?

8 A. Again, this is something that was prepared  
9 specifically for PricewaterhouseCoopers when  
10 they came back in the summer of '98. The  
11 first page is a summary of all of the  
12 accounts that this \$28.3 million was sitting  
13 in our general ledger.

14 It shows what the balance was as of  
15 May and what the balance was as of June, I  
16 believe. Let me just make sure. I'm sorry.  
17 This is actually not the balance. I think  
18 this is the accounts where the 28.3 million  
19 came from when we recorded the net income  
20 adjustments in May and June.

21 The next page is an actual trial  
22 balance for Graduate Hospital that shows what  
23 these accounts would have looked like. This  
24 one happens to be as of May 31, '97. Again,  
25 it's the same accounts that were on --

MANHATTAN REPORTING CORP., A LEGALINK COMPANY

ROBIN R. SCHAFFER

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1 COMMONWEALTH OF PENNSYLVANIA ) ERRATA  
COUNTY OF ALLEGHENY ) SHEET

2  
3 I, ROBIN SCHAFFER, have read the foregoing  
4 pages of my deposition given on Tuesday, July 23,  
5 2002, and wish to make the following, if any,  
6 amendments, additions, deletions or corrections:  
7 Page/Line Should Read Reason for Change  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19

20 In all other respects, the transcript is true and  
21 correct.

22 \_\_\_\_\_  
ROBIN SCHAFFER

23 Subscribed and sworn to before me this  
24 \_\_\_\_\_ day of \_\_\_\_\_, 2002.

25 \_\_\_\_\_  
Notary Public  
AKF Reference No. Cg71172  
MANHATTAN REPORTING CORP., A LEGALINK COMPANY

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ROBIN R. SCHAFFER

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1 IN THE UNITED STATES DISTRICT COURT FOR THE  
2 WESTERN DISTRICT OF PENNSYLVANIA

3 THE OFFICIAL COMMITTEE OF )  
4 UNSECURED CREDITORS OF )  
5 ALLEGHENY HEALTH, EDUCATION & )  
6 RESEARCH FOUNDATION, )  
7 Plaintiff, )

8 -vs-

Civil Action  
No. 00-684

9 PRICEWATERHOUSECOOPERS, L.L.P. )  
10 Defendant. )

11 VOLUME IV

12 VIDEOTAPE DEPOSITION OF: ROBIN R. SCHAFFER

13  
14 DATE: October 3, 2002  
15 Thursday, 9:00 a.m.

16 LOCATION: MANION McDONOUGH & LUCAS  
17 14th Floor, USX Tower  
18 Pittsburgh, PA 15219  
412-232-0200

19 TAKEN BY: Plaintiff

20 REPORTED BY: JoAnn M. Brown, RMR  
21 Notary Public  
22 AKF Reference No. JB72334



ROBIN R. SCHAFFER

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- 1 A. Yes.
- 2 Q. To provide information in response to requests?
- 3 A. Yes.
- 4 Q. Is it your belief that information was provided
- 5 to Coopers & Lybrand in response to any
- 6 requests they made to members of the general
- 7 accounting staff?
- 8 A. Yes.
- 9 Q. Did you -- if Coopers & Lybrand made a request
- 10 to you for information, before you would turn
- 11 the information over, did you have to clear it
- 12 with anybody?
- 13 A. No.
- 14 Q. So there wasn't some mandate or order that
- 15 said, well, before you give any information to
- 16 Coopers, somebody else has to see it?
- 17 A. No.
- 18 Q. Would it be fair then to say that Coopers had
- 19 complete access to any information they wanted
- 20 from the general accounting staff?
- 21 A. Yes.
- 22 MR. RYAN: Objection.
- 23 Q. Do you have any reason to believe, as you sit
- 24 here today, that members of the general
- 25 accounting staff tried to keep information from

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- 1 they're not disclosing information even to us
- 2 sometimes, and things like that, letting them
- 3 know that they need to go over to patient
- 4 accounting and find out what's going on.
- 5 Q. And what was Amy Frazier's reaction when you
- 6 told her this, about the problems you were
- 7 having with billing?
- 8 A. I believe she was concerned about it, because
- 9 she did -- like I said, Coopers did have that
- 10 special audit done which was very unusual.
- 11 Q. And when was that special audit?
- 12 A. I believe that had to have been -- it was some
- 13 time -- it was a result of the '96 audit, so it
- 14 was some time in probably around the June, July
- 15 '96 time frame or thereafter. I don't remember
- 16 exactly.
- 17 Q. Would you have told Amy Frazier on more than
- 18 one occasion about the problems that you
- 19 perceived existed with billing?
- 20 A. Normally, because that was what I dealt with
- 21 was receivables, any time I would talk to Amy
- 22 about receivables, issues would come up, and I
- 23 would talk about problems I was having with
- 24 patient accounting or just things in general
- 25 that I had concerns about. So it was a very

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- 1 Coopers?
- 2 A. I would say it's the complete opposite.
- 3 Q. And what does that mean?
- 4 A. We probably, from my experience, provided
- 5 Coopers with more information than any other
- 6 audit I've ever seen. We went to them and told
- 7 them there was problems with billing, which
- 8 I've never seen that done before in any other
- 9 audit I've been part of.
- 10 Q. When you went to Coopers and told them that
- 11 there was problems with billing, what -- first
- 12 of all, who did you bring that -- to whom's
- 13 attention did you bring the problems with
- 14 billing?
- 15 A. Normally, it was Amy Frazier.
- 16 Q. And what would you have told Amy Frazier were
- 17 the problems with billing?
- 18 A. The accounts at gross, issues like that. I
- 19 mean, things that are telling the auditors that
- 20 you have problems with your financial
- 21 statements. You've got accounts that aren't
- 22 being contractualized. You've got accounts
- 23 that aren't being collected. You've got a
- 24 patient account department that's not
- 25 cooperating with general accounting, and

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- 1 open discussion normally about the issues with
- 2 patient accounting between Amy and myself.
- 3 Q. And the issue with billing was -- I take it
- 4 that was a chronic problem?
- 5 A. Yes.
- 6 Q. So, in other words, this is something that you
- 7 would talk with Amy over a period of the
- 8 various audit years, is that right?
- 9 A. That's correct.
- 10 Q. I want to look at some exhibits if we could.
- 11 First of all, let's take a look at Exhibit 289.
- 12 Ms. Schaffer, in particular, we're
- 13 going to be talking about Schedules L and M on
- 14 289, but before we do, and just for the purpose
- 15 of the record, can you explain to me what
- 16 Exhibit 289 is?
- 17 A. Yes. This is Bucks County's bad debt
- 18 calculations for June 30, 1997, and the last
- 19 two pages are the roll-forwards of the bad debt
- 20 allowance account for in and outpatient for
- 21 Bucks County.
- 22 Q. So if we look at Schedule L, that is the
- 23 summary of reserves for bad debt, is that
- 24 correct?
- 25 A. Yes.

22 (Pages 829 to 832)

ROBIN R. SCHAFFER

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1 Q. And it shows -- runs for a period of time July  
2 through June, is that right?  
3 A. Yes.  
4 Q. And if we -- the first column is the beginning  
5 balance, is that correct?  
6 A. Yes.  
7 Q. And then the second column is what?  
8 A. The second column is the actual write-offs that  
9 patient accounting would initiate through their  
10 area actually taking an account and writing it  
11 off to bad debt.  
12 Q. And then the recovery column means what?  
13 A. Those are accounts that had been written off to  
14 bad debt that are later collected and put back  
15 into the bad debt allowance.  
16 Q. Then there's a column other, is there not?  
17 A. Yes.  
18 Q. And to identify the other, there are footnotes  
19 that the reader would then have to go down and  
20 read the footnotes, right?  
21 A. Yes.  
22 Q. So if we look at the entry for June under the  
23 other column, we see there's a \$2.9 million  
24 entry, right?  
25 A. Yes.

1 other column and, in particular, the \$2.9  
2 million entry?  
3 A. No.  
4 Q. Did anybody from Coopers ever indicate to you  
5 that they didn't understand Footnote I or the  
6 \$2.9 million other entry?  
7 A. No.  
8 Q. If we look over there, there's a note, correct?  
9 A. Yes.  
10 Q. And that actually -- that's not a note you put  
11 on the schedule, is it?  
12 A. No.  
13 Q. That's a Coopers & Lybrand note, is that right?  
14 A. Yes, it is.  
15 Q. And the note indicates that AHERF is recording  
16 the bad debt allowance according to the new  
17 methodology developed in fiscal year '97 by Dan  
18 Cancelmi and Robin Schaffer. Do you see that?  
19 A. Yes.  
20 Q. And that new methodology is what we talked  
21 about earlier, is it not?  
22 A. Yes.  
23 Q. The loss percentage figures that Mr. Cancelmi  
24 came up with in July, August, September of  
25 1996?

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1 Q. And to understand what the \$2.9 million entry  
2 is, you have to go to Footnote I, is that  
3 right?  
4 A. Correct.  
5 Q. And if we go down to Footnote I, it recites  
6 that it includes (\$59,000) shortfall  
7 adjustment, is that correct?  
8 A. Yes.  
9 Q. Now, do I take it that what has been marked as  
10 Exhibit 289 and, in particular, this Schedule  
11 L, this is a document that was provided to  
12 Coopers & Lybrand?  
13 A. Yes.  
14 Q. Did anybody from Coopers & Lybrand come back  
15 and ask you to provide information as to what  
16 was meant by the shortfall adjustment?  
17 A. No.  
18 Q. Now, looking at paragraph -- or Footnote I, it  
19 says, \$3,008,000 bad debt reserve reclass. Do  
20 you see that?  
21 A. Yes.  
22 Q. Did anybody from Coopers make inquiry as to  
23 what meant by that?  
24 A. No.  
25 Q. Did anybody from Coopers ask you to explain the

1 A. Yes.  
2 Q. Let's turn over, if we could, to the next page  
3 which is Schedule M, and, again, this is a  
4 summary of reserves for Bucks County, is it  
5 not?  
6 A. Yes.  
7 Q. Whereas, Schedule L related to inpatient, this  
8 relates to outpatient, doesn't it?  
9 A. Yes.  
10 Q. And, again, it's the reserves for bad debt,  
11 right?  
12 A. Yes.  
13 Q. And like Schedule L, it has an other column,  
14 does it not?  
15 A. Yes.  
16 Q. And if we look under the other column for the  
17 June entry, there appears to be an entry for  
18 \$4.5 million, right?  
19 A. Yes.  
20 Q. And in order to understand what that entry is,  
21 where do you have to turn to?  
22 A. To Footnote H.  
23 Q. And what does Footnote H -- well, let me change  
24 that.  
25 Footnote H provides that it includes

ROBIN R. SCHAFFER

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1 COMMONWEALTH OF PENNSYLVANIA ) CERTIFICATE  
 2 COUNTY OF ALLEGHENY ) SS:

3 I, JoAnn M. Brown, RMR, a Court Reporter and  
 4 Notary Public in and for the Commonwealth of  
 5 Pennsylvania, do hereby certify that the witness,  
 6 ROBIN R. SCHAFFER, was by me first duly sworn to  
 7 testify to the truth; that the foregoing deposition  
 8 was taken at the time and place stated herein; and  
 9 that the said deposition was recorded  
 10 stenographically by me and then reduced to printing  
 11 under my direction, and constitutes a true record of  
 12 the testimony given by said witness.

13 I further certify that the inspection, reading  
 14 and signing of said deposition were NOT waived by  
 15 counsel for the respective parties and by the  
 16 witness.

17 I further certify that I am not a relative or  
 18 employee of any of the parties, or a relative or  
 19 employee of either counsel, and that I am in no way  
 20 interested directly or indirectly in this action.

21 IN WITNESS WHEREOF, I have hereunto set my hand  
 22 and affixed my seal of office this 7th day of  
 23 October, 2002.

24 \_\_\_\_\_  
 25 Notary Public

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1 COMMONWEALTH OF PENNSYLVANIA ) ERRATA  
 2 COUNTY OF ALLEGHENY ) SHEET

3 I, ROBIN R. SCHAFFER, have read the foregoing  
 4 pages of my deposition given on Thursday, October 3,  
 5 2002, and wish to make the following, if any,  
 6 amendments, additions, deletions or corrections:

7 Page/Line Should Read Reason for Change  
 8  
 9  
 10  
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 13  
 14  
 15  
 16  
 17  
 18  
 19

20 In all other respects, the transcript is true and  
 21 correct.

22 \_\_\_\_\_  
 23 ROBIN R. SCHAFFER

24 Subscribed and sworn to before me this  
 25 \_\_\_\_\_ day of \_\_\_\_\_, 2002.

\_\_\_\_\_  
 Notary Public  
 AKF Reference No. JB72334

**Scharf Dep.**

**In The Matter Of:**

***AHERF v.  
PRICEWATERHOUSECOOPERS, L.L.P.***

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***JOSEPH SCHARF***  
***March 25, 2003***

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***MANHATTAN REPORTING CORP.***  
***420 Lexington Avenue - Suite 2108***  
***New York, NY 10170***  
***PH: 212-557-7400 / FAX: 212-692-9171***

**SCHARF, JOSEPH**